

## ARTICLE 7

### CARCASS MERIT ADJUSTMENTS

#### Section 7.01

For purposes of this Agreement, the Carcass Merit Adjustment shall be the amount determined pursuant to Buyer's "Carcass Merit Buying Matrix", set forth in Exhibit C attached hereto and made a part hereof. An example of the calculation of the Carcass Merit Adjustment is attached hereto as Exhibit D. The Carcass Merit Adjustment shall be determined in respect of each load of Market Hogs delivered pursuant to this Agreement. Said "Carcass Merit Buying Matrix" shall be in effect for the entire duration of this Contract unless modified pursuant to this Agreement. The parties agree that Exhibit C shall be revised to reflect any changes in Buyer's then current carcass program. The parties acknowledge that Exhibit C is based upon the current industry definition for a standard hog, which is a hog with a USDA grade #3 (48% lean), size of approximately 250 pounds and yield of 73.5%. It is agreed that Exhibit C will be adjusted in the event of changes in standard grade, size or yield as reported by the National Pork Council or American Meat Institute. Such adjustments shall move the amount of the premiums and the discounts reflected in Exhibit C so that such premiums and discounts continue to correspond to the relative deviations from the then standard grade, size or yield. The parties also agree to review and revise Exhibit C should (i) Seller produce Market Hogs that exceed the grade, yield or size criteria set forth therein; or (ii) Buyer changes its current instruments for determining grade, size or yield. At present, both size and yield are determined by weight in pounds, and grade is measured using a "Fat-O-Meater." Buyer agrees that no changes shall be made in such instruments unless the substitute instrument is generally considered in the industry to be more accurate. Carcass weight for the purposes of this Contract shall mean the net weight of the hog carcass after passing U.S.D.A. inspection and prior to chilling. Copies of the processing or slaughter reports prepared by Buyer ("kill sheets") for the hogs delivered under this Contract will be mailed to Seller within two (2) days of the hogs' delivery to Buyer and shall contain the information set forth in Exhibit E, attached hereto and made a part hereof.

All weights referenced herein are to be taken from government-inspected and certified scales.

## ARTICLE 8

### PAYMENT

#### Section 8.01

Buyer shall pay Seller in full before the close of the first business day after the carcass price is determined. All payments shall be by mail to Seller's office. Payments shall be deemed made when received at Seller's office.